

*Summary Minutes*  
**Special Budget Work Session Meeting**  
**Tuesday, May 4, 2010**  
**2:30 p.m.**  
**Vultee Conference Room, City Hall Plaza**  
**106 Roadrunner Drive, Sedona, AZ**

1. **Call to Order/Pledge of Allegiance:** Mayor Adams called the meeting to order at 2:30 p.m.
2. **Roll Call:** Mayor Rob Adams, Vice Mayor Cliff Hamilton, Councilor Pud Colquitt, Councilor Dan Surber, Councilor Mark DiNunzio, Councilor Nancy Scagnelli. Councilor Jerry Frey was unexcused.

Council-elect present: Barbara Litrell, Mike Ward, Dan McIlroy and Dennis Rayner

3. **Public Comment:** *Public comment on all budget items will be taken at the outset of the meeting. Each person commenting will have a maximum of two minutes. The entire period for the public comment will not exceed thirty minutes.*

*Mayor Adams opened the public comment at 2:33 p.m. Not seeing any, he brought it back to Council.*

3. **Work Session on City of Sedona budget for FY 2010-2011. The council may take action to give direction to the city manager regarding amendments or changes to the proposed city budget.**

City Manager Tim Ernster stated today we'd like to get through all the departments. On Thursday, May 6, the outside agencies will be able to speak regarding their requests for city funding. There's a third meeting scheduled for Friday. Today we'll give an overview for the budget.

**An overview of the General Fund will be presented.**

Tim Ernster stated Council wanted staff to prepare a balanced budget and we've done that. That's been achieved by departmental budget cuts, savings from vacancies that weren't filled during the fiscal year and won't be filled in the upcoming fiscal year. They'll be removed from the budget. A few weeks ago we had a reduction in force. The proposed budget doesn't include projected sales tax revenue from the wastewater rate increases. That process will start in July, but we didn't assume any of those revenues in trying to balance the budget. We want to see what happens this next fiscal year with the economy and what happens with our sales tax collections. If we have a surplus at the end of the year, that will carry forward to the next fiscal year. We need to develop a plan for how those additional sales tax dollars will be spent by the city. The budget doesn't include any new staff positions, salary increases or tax or fee increases other than wastewater rates. The General Fund savings account is \$9.4 million. That's cash in the bank. That's 93% of our proposed General Fund budget. The city's policy is 50%, so you exceed that policy by quite a bit. Fiscal health is very strong. The five-year wastewater plan will set the groundwork for long-term wastewater fiscal stability. There are some signs of recovery in the national economy. We're

not seeing any improvement in our sales tax collections. Our collections are always 60 days behind. Maybe when we get March sales tax we'll see an increase in business, but we can't assume our economy is recovering at this point. It's possible that the state will want to take more of our state shared revenues, more than they've already taken. Staffing levels proposed for next fiscal year are 11% lower than the approved FY09-10 budget. They've been reduced by 15.7% since FY07-08. The FY10-11 operating budget is a 12% reduction from the 09-10 budget. It's proposed at \$10.6 million. It includes a \$300,000 operating contingency. We have made such deep cuts in departmental budgets, we need money set aside incase something happens that we didn't anticipate like the flood last fall. It can only be spent with Council's approval. In the past, departments budgeted with 'what if' money, we took all that out, so we need something set aside incase something unanticipated happens. It's not part of our cash reserves. Whatever we don't spend out of the operating contingency would move over to the next fiscal year. We have included the necessary funding in the budget to initiate sales tax initiatives such as implementing a business license. We're also going to start sales tax audits. We've budgeted \$60,000 for the audits and estimated \$120,000 revenue because of the audits. Self-collection through a third party is the third item. We hope in the early spring next year we can begin self-collection. That's included in the budget. We're going to assume that the same 12% drop in sales tax will continue in next fiscal year. In addition to that, we're assuming an additional 7% decrease due to steep declines in construction sales tax. The proposed capital budget includes \$2.9 million in funding for capital projects. We have some balances built up in our development impact fees and community facility district funds. We need to take advantage of the good construction costs right now. In the next fiscal year we want to do a comprehensive review for all our fees for service. One example is the police shooting range. It's an expense to the city, we have to maintain it and clean it up. It's a good example of an item that we can establish a fee for. At some point we're going to have the citizens asking why, if we have so much in reserves, aren't we investing in some one-time expenditures for the community. We need to discuss what appropriate levels for our cash reserves are. At some point you need to start investing those funds in your community. He wants to begin discussions on initiating a new 10-year capital plan to identify projects and funding for the projects. The 10-year plan would be approved separate from the operating budget but would begin at the same time. This is something the future budget advisory committee should be involved in. This summer we might look at new summer hours for City Hall in July. If you were open from 7 a.m. to 6 p.m., you'd provide longer hours for people who work in this city to do business here. There are some budget savings, but it'd be less than \$30,000-\$40,000. You reduce the number of trips to work therefore reducing the carbon footprint. There are studies that show employees are more productive with a 4/10 schedule. Fridays during the summer are very low activity. It's a moral issue with our employees. Going to a 4/10 schedule will be a benefit to our employees. It's something we need to consider. Mesa, Avondale, Peoria, Clarkdale, Yavapai County, Gilbert and Williams are all doing it. We need to do it on a trial basis for the summer months and if it doesn't work we can go back to a 5/8 schedule. We need to look at employee compensation. There are people who feel our employees are overpaid. If the economy starts to recover there are going to be a lot of entities that are going to look for highly trained employees. We need to look at a Cost Of Living Increase in FY11-12. This is the second year they haven't received one. He recognized Barbara Ashley and the finance staff to get us to this point.

Mayor Adams thanked staff, Alison Zelms and finance for presenting a balanced budget. The last two years have been the most difficult in the history of Sedona and you've done a wonderful job dealing with that.

Assistant City Manager Alison Zelms stated we started planning the budget in January. Staff started their requests and moved through April. We then moved into budget work sessions. A lot of times our budget sessions go a little out of order. The tentative date to set the budget cap is May 25. The final adoption of the budget will be June 22. The process has been ongoing since 2008. At that time Council delayed and eliminated over \$1 million in capital projects. We continued a limited training and travel program, though we anticipate a few increases since we have fewer employees, some will be trained in things they haven't done before. We continued a freeze in positions unless necessary to fill. We continue with no new program funding or new positions unless required to fulfill a Council goal and no salary increases for employees. We made the change mid-year to not automatically put 17% of sales tax revenue into the capital fund. We're projecting getting \$11 million in new revenue. The major source of revenue in the General Fund is the city sales tax. City sales tax is projected at \$5.4 million. We'll be down another 7% from current year receipts. That puts us at a FY04-05 level. We've retained \$1.6 million that was going into the capital fund in the General Fund. We're not projecting an increase in revenues; we're just divvying up that money differently than from other years. Bed tax is projected to be down another 10% from current year, which is down 19%. The Vehicle License Tax, the Franchise Fees and the Income tax and state shared sales tax are coming in. Our state shared sales tax is projected to be down to about a FY04-05 level. The General Fund receives the \$1.6 million of capital and a new in-lieu of taxes fee is an established on-going revenue. We anticipate \$11 million in revenue over the next fiscal year and expending \$10.6 million of that. So we have a balanced budget. Our budgets peaked in FY08-09 at \$13 million. We haven't typically spent the entire amount that we budgeted.

Councilor Colquitt stated regarding the contingency, what happens if you lose lawsuits, where would you go to supplement that?

Tim Ernster stated that's a good question because now the only thing not earmarked is that \$300,000.

Councilor Colquitt stated but if you lost a couple of big lawsuits would your insurance pay for that?

Mike Goimarac stated it depends on the type of lawsuit. We currently have only one outstanding lawsuit. The \$300,000 contingency is adequate. The actual out of pocket expenses for outside litigation typically comes from our insurance carrier, we wouldn't pay anything in addition to our premiums.

Alison Zelms stated we have an appropriation for our grant funds. We have room that if we did have to settle a big lawsuit we could use some of our reserve, but that would be next year.

Councilor DiNunzio stated we're projecting that our 2010 expenditures will be \$10.7 million and we're proposing a budget for 2011 for \$10.6 million, \$300,000 of that is contingency.

Barbara Litrell stated if we were down about \$1.8 million in 2010 in actual expenditures, then what would be the assumption that would bring us to \$90,000 down?

Alison Zelms stated \$300,000 is a contingency that hasn't been in the budget before in that manner. We moved items that we don't consider to be capital projects into the General Fund. We

had to anticipate an increase in unemployment claims. It's a reduction of \$2 million less than a normal year.

Alison Zelms stated additional cuts from state shared revenue are always a possibility. If the sales tax doesn't pass, she bets the schools and public safety won't just take their cut and go home.

Tim Ernster stated there could be more cuts. We've talked about considering mandatory furlough days, which means you take a day off without pay. Some cities have done 12 or more a year. The savings are one-time savings. We projected four furlough days to save \$120,000.

Mayor Adams stated he's sensing concern on Council's part about whether the contingency is large enough.

Tim Ernster stated we have enough room in our proposed cap that if we had to dip into the reserves we'd have the appropriation necessary to do that. At this point he wouldn't recommend adding any reserves to the contingency.

Councilor DiNunzio asked is there a bump in revenue anticipated in the budget for starting self-collection of sales tax?

Tim Ernster stated generally speaking, cities that go to self-collection see a 4-6% increase, but we didn't budget for that.

Councilor DiNunzio asked if we could go to self-collection sooner than next April?

Tim Ernster stated it's a possibility. We'd have to get the formal business license in order first and canvass them all. The important piece will be the sales tax auditing. There's a lot we need to do in-house first and that's going to take some time.

Councilor DiNunzio asked if the departments budgeted inflationary increases.

Alison Zelms stated we looked at the cost of gasoline and utilities.

Councilor Colquitt asked Tim Ernster to explain the significance of the cap.

Tim Ernster stated when you adopt the tentative budget that sets the cap on what you can spend. If during the fiscal year the city receives a grant it didn't anticipate, if there isn't room in your cap, you can't spend that money, you'd have to wait for the following fiscal year. We've tried to budget room in the grants category so if we get a grant we don't anticipate we have the possibility with council approval to spend it.

Mayor Adams stated there aren't a lot of requests from the departments so we should be able to move through this quickly.

Dan McIlory asked to clarify the \$9.3 million reserve, what is it doing there?

Barbara Ashley stated the majority is invested in the states, local government pool.

Dan stated so if we need to dip into it it's accessible to us?

Barbara stated exactly.

Tim Ernster stated we might want to look at investing with a private company.

Alison Zelms stated we have some of our funds invested in T notes.

Barbara stated there are different series in the state investment pool and we have it in the high end. Now our money is liquid to us and we can get it in the same day.

Vice Mayor Hamilton asked if the risk is the same among those pools it's just the accessibility that changes. Barbara confirmed.

**The following department budgets are to be presented and reviewed:**

**a. City Council**

Alison Zelms stated we had several resignations and replacements in the past year. We started the business registration program and self audits. Council appointed Tim Ernster and a new magistrate judge. The proposed FY10-11 Council budget is \$62,338. The majority of the budget is related to wages and dues and licenses. Objectives: to continue forward with the three main goals: enhanced communications, infrastructure needs and financial sustainability.

Mayor Adams asked if we can cut subscriptions, dues and licenses.

Alison Zelms stated the majority of the fees are for the Arizona League of Cities and Towns. They represent us on litigation and provide a resource during the Legislative process each year. We could probably take out the National League of Cities. We didn't do it last year.

Mayor Adams stated he could live with taking that out.

Alison Zelms stated travel and training has been moved to general services to a reduced lump sum, so now we have a little more control over the money being spent.

Tim Ernster stated it's more competitive and it makes sure the money is spent prudently and that the travel requested is truly justified. It's still in the budget it's just been shifted to another department.

Councilor Scagnelli stated when we get to General Services, we could cut.

Alison Zelms stated we reduced the number of people who we requested meals for in January.

Mayor Adams asked if anyone had an objection to taking the National League out.

Councilor DiNunzio stated the movement to General Services, he's looking and he doesn't see any training and travel in the past year for Council.

Alison Zelms stated it was moved to general services mid-year and reduced.

Councilor DiNunzio stated so the \$15,000 we're projecting for next year is in line with this year.

Alison Zelms stated in 09-10 it started at \$15,000.

Councilor Scagnelli stated we haven't reduced Council's budget proportionally, so if we want to find something else we want to spend on, maybe that's somewhere we could cut.

Mayor Adams stated staff hasn't been reduced, they just haven't gotten a Cost Of Living Adjustment.

Councilor Scagnelli stated prices have gone up so it is a reduction.

Councilor Colquitt stated the proper time to discuss that will be if something crops up i.e. Red Rock State Park, then everything is on the table.

Dan McIlory asked if the League is government or private?

Tim Ernster stated it's a non-profit and all cities and towns are members and they are the lobbying arm to the legislative.

Dan stated the holiday party and retreat is \$20,000, that seems excessive.

Alison Zelms stated that's been eliminated. It's completely wiped out.

Mike Ward asked what the direct payment costs are.

Barbara stated Medicare and social security.

Alison Zelms stated IRS audited us and we have to pay tax on Council meals. We budget \$3,000 for the meals.

#### **b. City Manager's Office**

Alison Zelms stated we implemented changes to the vehicle policy, which reduced the fleet by over 30%. We added duties to existing staff to reduce a \$50,000 federal lobby contract. We reduced staffing throughout the organization. We eliminated the Senior Information and Referral Specialist position. The Administration Services Director is now budgeted between the Clerk's Office and Parks & Rec. The Arts & Culture Director position will be added to the city manager's office. We eliminated a parking services contract. Objectives: Work with new council for strategic goal setting and providing support of implementation of those goals.

Dan McIlory stated on economic research, what's that money for?

Alison Zelms stated it's been eliminated. What's remaining is the costs for a subscription to the economic development association. About \$590 of that is left. That position was moved to the

finance department, but the major cost was related to the subscription cost for a web site with economic data.

Barbara Ashley stated the overtime was for the administrative assistant.

Tim Ernster stated we'd have to pay Michele Stover overtime if she worked more than 40 hours a week, but she typically doesn't. Just take it out.

Barbara Litrell asked why we have the Senior Resource Fair listed for \$600.

Alison Zelms stated that's the whole public information budget for the city manager's office, it could be used for other things.

Tim Ernster stated we can call it Public Information.

### **c. Human Resources**

Director of Human Resources Tori Ward stated we've done a lot of recruitment and selection for chief of police, magistrate and city clerk. HR collaborated with finance this year in integrating information into an enterprise system reducing duplicating efforts. We established a Roth IRA benefit for employees. We conducted a facility safety audit. We suspended the Merit and COLA increases, we suspended FLEX leave payout, training and travel have been reduced, we suspended education reimbursement, and we've had an increase in state unemployment claims because of lay offs. Objectives: to introduce a virtual open enrollment for benefits, we just adopted a comprehensive drug screening policy, we're establishing a City Code of Conduct Committee and we're in the process of eliminating paper evaluation forms.

Councilor DiNunzio stated on the health insurance, are we under contract, is it good now for 2011?

Alison Zelms stated we're a member of a health insurance pool and it works every year to renegotiate any costs that seem high. We've seen lower increases than any other health insurance. We had a 12% increase last year and a 7% this year.

Tori stated these are the increases that will be effective July 1.

Mike Ward asked what the logic is of lumping benefits and retirement instead of keeping them in the departments.

Barbara Ashley stated prior city managers wanted to see the benefits all in one place. It was a way for them to simplify.

Tori stated exam fees include physical, psychological, drug testing. We're anticipating we're going to have substantial amount of charges from unemployment based on people we laid off.

Mayor Adams asked why the salary for that department went up?

Alison Zelms stated that was a projected amount which included FLEX, but the actual budgeted amount is lower.

Councilor DiNunzio stated so it's the same staff in place.

Tim Ernster stated that's correct and there are no raises. Everything's the same.

Mayor Adams stated in HR we have no reductions or modifications.

**d. Financial Services**

Barbara Ashley stated most of the changes are what Alison already talked about. The Economic Planner has been moved to our department, to help with sales tax audit and collections and business licenses. We're trying to use our web site to put a lot more information out. We've reduced the number of purchasing cards but increased number of purchases to reduce the fees related to them. We implemented ADP. We successfully completed our 08-09 audit. We completed the wastewater rate study and are in the process of implementing the increased rates. We eliminated the Accounting Technician position. Objectives: Create a Popular Annual Financial Report for the 2010 audit. Continue making financial information easily accessible to our citizens. Complete the city's first sales tax audits and formalize a business licensing program.

Barbara stated we moved all our software to the IT department.

Mike Ward asked what the \$100,000 for professional services is.

Barbara stated that includes hiring the auditor to do our sales tax audits.

Dan asked if an outside auditor looks through your records for their own numbers or do you give them the numbers/

Barbara stated we do both.

**e. Information Technology**

IT Manager John Smith stated they implemented a new city web site with increased content management. IT assisted finance and HR with implementing ADP. They implemented electronic citations for the police department to use hand-held computers. They're implementing an e-mail archiving system to better manage historical information and a natural gas powered generator is being installed to provide backup power to the city's data center. Our budget is increased due to extended warranties for programs that are already in place. This year many systems started their new warranty programs. Objectives: continue posting multiple software servers on a single hardware program. Our GIS department is developing and publishing improved mapping services. We're looking at new technologies and procedures.

Councilor Surber asked if we're exploring doing GIS on the web site?

John stated we're doing some of that now. The goal is to get some newer ones online.

Barbara Litrell asked for comment on the wage increases.



Alison Zelms stated we used to allocate part of their wages to the capital fund, but now that we're funding that differently, we fund it directly to the general fund.

Mike Ward asked if all computer equipment is charged to the IT account.

John stated we try to budget it all to the IT department. We try to keep it at least within the same account coding structure.

Dan McIlory asked if he has expertise to maintain all the computers without having to go outside for support.

John stated about 99% we can do here.

**f. City Attorney's Office**

City Attorney Mike Goimarac stated we had a major lawsuit that was resolved favorably for the city. We have a new disclosure policy for public records including a different form for people to fill out. HB2008 required verification of residency status. One assistant city attorney was eliminated mid-year. The legal fees line item has been reduced in the department budget and combined with legal costs in the general fund's operating contingency.

Mike Ward stated you eliminated a part time position and only saved \$4,000?

Mike Goimarac stated yes, he was only working two days a month, most of his position was eliminated last year.

Mike Goimarac stated in the past we've obtained outside counsel for litigation that wasn't covered by our insurance, but for most of the things we have them in-house or attorneys obtained through our insurance.

**g. City Clerk's Office**

City Clerk Randy Reed stated we conducted the 2010 Council elected, we completed a new Boards and Commission handbook, and we hosted a presentation on Records Management. We developed a press release and public notice guidelines for city staff. Randy, the new city clerk, was appointed in March 2010. We eliminated our administrative assistant position. That has impacted us a lot and we're still restructuring and looking at what we're doing and figuring out how to do our processes more efficiently. Objectives: How can we streamline, we want to provide the best customer service that we can. We're looking at becoming a passport acceptance agency. Right now Sedona citizens have to go to Camp Verde or Flagstaff to get a first time passport. The State Department was excited about Sedona becoming a passport acceptance agency.

Councilor Scagnelli stated the election publication was moved to contingency, are we anticipating an election in the next fiscal year?

Alison Zelms stated we typically wouldn't have one, if we had one it'd be a surprise, so we wouldn't want to budget for one. It'd have to come from the \$300,000 contingency.

Randy stated \$14,000 is to change our codifiers for the Sedona Municipal Code and the Land Development Code. There are better codifiers than the one we use now. Our code would be easier for people to follow and easier for people to make changes to. Right now we can't easily insert new things because of the way it's numbered, so it costs us more money. The online code they have is much more user-friendly to the citizens. We have \$3,000 budgeted for temporary help incase something happens to someone, if someone is out sick or something, we couldn't operate with just two people, that's where the \$3,000 comes in. We've been microfilming everything, he'd like to see us move away from it because nobody uses it anymore. That may entail getting the state legislature to change our laws.

Councilor Surber asked if the codifier is a one-time \$14,000?

Randy stated yes, to change the codifier.

Mayor Adams asked if Council chooses to videotape Council meetings, what department would that be in?

Tim Ernster stated it could fall in a number of different areas. It would probably make sense to put it in communications.

Barbara asked if the professional services are essential for this year.

Randy stated he'd want to leave the manpower in there incase something happened to a staff member. We don't have to re-codify our code.

Barbara Litrell asked if the manpower could come from the contingency.

Tim Ernster stated sure.

Mike Ward stated the \$14,000 is for what?

Randy stated the codification company would take our current code and convert it to a new system. We don't do that in-house.

Alison Zelms stated it might be considered a good year for it because we don't have an election this year. Their budget actually goes down.

Randy stated he thinks they'd all really appreciate the new code and the ease in which it could be updated.

Mayor Adams asked where the communications budget is.

Alison Zelms stated it's in general services and if you were to add the videotaping it's not in the budget.

Tim Ernster stated we have a grant from the Cable company earmarked for setting up our government access channel for \$15,000.

Councilor Scagnelli asked Randy how it's going without an assistant city clerk.

Tim Ernster stated the deputy city clerk wasn't eliminated; it's just not filled yet. The administrative assistant was the position eliminated.

Councilor Colquitt stated the Clerk's office is one of the most vital in the city. The more efficient it is, no matter how many people you have working, the better it is for the city. Like legal, you have to be careful when you start knit-picking because they keep you on the straight and narrow.

Barbara Litrell stated she thought the auto expense was being put in the general services pool.

Barbara Ashley stated she must have missed that.

#### **h. Parks and Recreation**

Community Services Director Andi Welsh stated the budget was prepared in January/February before they did the reorganization, but the maintenance budget will actually be moved to Public Works before it's adopted. We added additional programming. We assumed maintenance of the Uptown Parking Lot and renovated it. We partnered with local non-profit organizations to make some community events happen. We will close the pool on Fridays. We eliminated the Recreation Assistant. We are combining the parks maintenance to the city maintenance department. We'll now maintain the pool in-house. Objective: continue to offer quality programming, maximize pool facility and operations with limited budget resources.

Mayor Adams asked if we're looking into contracting employees for Parks & Rec since we eliminated employees.

Andi stated we haven't looked into that. We can look at it again but when we looked at it before we didn't find it was a lot of cost savings. She doesn't see us contracting our programming. We tried to contract out our pool operations but that fell through. We stopped using the people who have to do community service from the court because it became more of a hassle than a help.

Mayor Adams stated he had a discussion with the magistrate and Parks & Rec was the only department that's had problems using community service people.

Andi stated she doesn't know why but they've had problems with them such as people asking employees to sign off on hours that they didn't work.

Councilor DiNunzio asked if Andi's salary is in P&R now and last year it was in the city manager's office. Andi stated that's correct.

Dennis Rayner stated he sees a reduction in utilities budget, where does that come from?

Andi stated it's from the pool. The school district will do some solar installation in November, as well as having the pool metered separated and billed properly so we'll only pay for what we're using.

Barbara Litrell stated on page 55 it has the pool service contract at \$6,000.

Andi stated we've told them we're not using their services anymore unless there's some emergency that we can't handle with our equipment.

Barbara Litrell stated on page 57, item 3-10, it says maintenance and pool supplies, and then it says it again, are those for different things?

Andi explained they are for different things.

Dan McIlroy asked how many employees P&R has?

Andi stated four maintenance workers, an administrative assistant and a senior recreation coordinator. The maintenance people are moving to Public Works to form a city-wide maintenance division.

Tim Ernster stated it will consolidate two staffs that can cross train and maintain the same level service in the medians and right-of-ways and the parks. We are leaving a vacancy in the streets, so we're pulling them together.

Councilor Scagnelli stated you have done an excellent job maintaining parks to a higher level. We're not cutting back on the quality in this budget are we?

Tim Ernster stated no we're not.

Alison Zelms stated some of the smaller capital projects are reflected in P&R, before they would have been competing for funds in the capital fund.

Tim Ernster stated the parks guy will be the chief supervisor for the new maintenance division.

Director of Public Works Charles Mosley stated he was going to cover some of that in his presentation in public works and in his streets presentation later.

***Mayor Adams called a 10 minute break from 4:38 p.m. – 4:48 p.m.***

#### **i. Community Development**

Director of Community Development John O'Brien stated we adopted the Accessory Dwelling Unit Ordinance and amendment to the Design Review Manual and the building height ordinance and the landscaping ordinance. We completed the night lighting enforcement for the SR 89A corridor. The budget has been reduced 14% since last year's budget. The budget for transit has been moved to the General Services department. We've

lost four positions, which is 25% of our staff work force. We went from 16 to 12 employees. Objectives: working on the citywide update to the Community Plan. We will work on the development of an Energy Conservation Code. Continue proactive vacation rental enforcement and other proactive enforcement as directed by Council. It's a bare-bones operation budget, there isn't room to do new programs or projects.

Councilor DiNunzio stated the \$190,000 from the transit was moved to the general services budget. How are the 12 employees organized now?

John stated himself as director, Audree Juhlin as Assistant Director working mostly on housing and other projects, two long-term planners, two short-term planners, a chief building inspector, our recording secretary who does minutes for all community development commissions, development services representative who runs the front counter, Jim Windham who's our development services supervisor and our chief code enforcement officer, who deals with code issues, liquor licenses and John Eagan our day-to-day code enforcer.

Councilor Colquitt stated she hopes someone is keeping track of how many departments have mentioned contingency.

Councilor Surber stated you have \$15,000 for professional services, is there going to be a consultant?

John stated we hired Judith Keane to facilitate our three public forums next week for the community plan update.

Mike Raber stated 60% of our total cost is in citywide mailings. 14-16% will be for meeting facilitation, so the remainder is for advertising and cost for sound systems and meeting room rental.

Councilor Surber stated as far as staff time, that's going to be your job for a year or two?

Mike stated it's a 2-plus staff workload. We had a little more than 2 people last time until we got to the tail end. It's a lot to keep track of for a couple years.

Councilor Surber stated if the Redevelopment Plan comes back are we setting the table with the community plan?

Mike stated one of our teams is dedicated to the 89A west Sedona corridor and how our plans would interface with any future plans done there. We are going to start with the meetings next week and there will be attention paid to that.

Councilor Surber stated part of the public outreach will focus on getting community vision?

Mike stated yes, we will. The three locations next week for the meetings have all been donated to us, at no charge.

**j. Public Works**

Director of Public Works Charles Mosley stated much of what it spends is contained in the wastewater and streets budget which are special funds. We worked with ADOT to complete the 179 improvements, related to storm drainage and sewer installation. We worked with ADOT to bring Airport Road signal plans to bid. Those bids came in lower than what Council had seen. We began construction on Harmony/Windsong Drainage improvements. We contributed to review of wastewater capacity and monthly rate charges. We completed our initial review of feasibility of onsite wastewater effluent management which will be going to Council soon. We began review of the role of the Public Works Advisory Committee and possible restructuring. Parks maintenance and streets maintenance have been combined. An associate engineer position will be reduced to 25 hours per week around September and eliminated in January 2011. A frozen associate engineer position from the prior year has been eliminated. Objectives: Update city code regarding extension of the wastewater system; continue to work with ADOT regarding rehabilitation of the 89A pavement and handicap ramps; continue development of new effluent management program for wastewater plant; completion of Sunset Park tennis and basketball court reconstruction; continue to implement measures to reduce energy demand of city buildings; and finalize database for preventative maintenance of city buildings.

Alison Zelms stated Sedona Recycles has been moved to General Services.

Councilor Scagnelli stated you reducec the advertising for the Christmas tree recycling program.

Charles stated we continue to do the program, we just don't advertise for it.

Alison Zelms stated the increase in salaries came from the capital fund where it was in the past.

Councilor Colquitt stated if the new Council should decide to undertake infrastructure issues how would you transfer funds from the reserve into the capital fund.

Tim Ernster stated we would have a discussion with Council regarding current policy about reserves to see if they were interested in reducing it from 93% to say 65%, then in the next year it could be moved into the appropriate budget.

Alison Zelms stated it takes time to design, bid and then build a project. You might hit some design costs this fiscal year, but that's it. We have a fairly substantial reserve in the capital fund for about \$3 million. You could use that money for infrastructure this year if you left enough room in the cap for it.

Dennis Rayner stated is there a timeline or an action plan to reduce energy consumption at the city?

Charles stated we had a time line for some of the issues but because of budget reductions we stretched those out. Sealing doors, changing water fixtures are ongoing.

Vice Mayor Hamilton stated there's a process for changing the cap during the budget year if we had a compelling reason to do so.

Alison Zelms stated there probably is, we've never done it in Sedona. It would probably be resetting the tentative and redoing the final.

Tim Ernster stated he thinks there's a way you can do it, but the state doesn't make it easy for you to do that. There are more hoops to jump through. He's never been involved in it. It's more intended for emergencies. You have to go through one of the state agencies to do that.

Dan McIlory asked how many employees are in Public Works.

Charles stated 30 including wastewater, streets, Parks & Rec and engineering.

Dan McIlory asked what is the professional services line item for.

Charles stated that includes some engineering and a number of contracts like street sweeping, stormwater quality, and janitorial contracts.

Dan McIlory stated how many hook ups would it take to reach our capacity at the plant?

Charles stated it would take a lot. Something like 8,000 hook ups.

Mike Ward asked if the Parks & Rec people who have been transferred will be moved to Streets or Public Works.

Charles stated it's all one department.

Alison Zelms stated it will be in the general fund in the budget, just in Public Works.

Tim Ernster stated it will be a division under Public Works.

#### **k. Arts and Culture**

Arts & Culture Director Ginger Wolstencroft stated we funded four major arts organizations. We provided art instruction for Sedona youth through the Artist in the Classroom program. We awarded grants to five smaller arts organizations. We held the second annual Mayor Arts Awards. We announced the public art competition for art in roundabouts. We installed the Posse Ground sidewalk project. We moved all funding for art grants to general services. The department is now under the city manager's office. Objectives: Continue funding our art organizations, make final selection and award contract for art in roundabouts, hold third annual mayor's arts award and maintain partnership with Sedona Gallery Association.

Councilor Scagnelli stated the \$1,500 is for the Mayor's Arts Awards, everything else is in General Services.

Ginger stated the 3CMA is the marketing association she belongs to. The majority of people in public information belong to it around the country. The American for the Arts Conference is a national group as well. She most likely won't go to that one.

Alison Zelms stated that training and travel would have to compete with all the other.

Barbara Litrell asked if people pay to attend the Mayor's Arts Awards.

Ginger stated no, we find sponsors for that.

Dan McIlory asked if Ginger is a one-person operation. She stated yes.

Mike Ward asked what will happen to the Arts & Culture line item.

Alison Zelms stated it will become a line item under City Manager's Office.

## **I. Police**

Interim Police Chief Jim Driscoll stated we installed new dispatch equipment we received through a COPS tech grant. We completed getting laptops for officers that mount to patrol vehicles. There was a continued decline in traffic collisions along SR89A. Every officer is equipped with a Kevlar helmet and tactical body armor for protection. We implemented the e-citation project. Grant monies were received from the Greater Sedona Community Foundation to fund a new bike for the Uptown officer. We eliminated an existing frozen dispatch position. We eliminated two sergeant positions and reduced use of overtime. We eliminated shift differential and on-call pay. Objectives: maintain adequate service to community while keeping overtime to a minimum; implement a 40-hour patrol schedule, so far it's working. New World Program to swipe a driver's license in the field so it goes directly into the records system and the court system. Retirement of Joker and the purchase of a new narcotics patrol K9 and selection and training of a handler all funded through donated monies.

Councilor DiNunzio stated the salary line shows a significant jump.

Barbara Ashley stated the shift-differential pay was a part of the regular pay, so we're now combining them. Just look at subtotal of salaries and wages to get a better feel.

Councilor Scagnelli stated it looks like we didn't do any ground maintenance at the range?

Jim stated he'd have to check.

Councilor Scagnelli stated we talked about it last year, because it's a mess out there with all the casings. It looks like it didn't get cleaned up, and now we don't have any money in the budget for it next year.

Barbara stated we'll probably spend more than the \$174 on it this year still.

Tim Ernster stated the chief will check to see what else we've done out there this year. And find out if we need to budget some money for that next year. If Council approves agencies paying to use the facility we'd have money to offset the cost of maintenance.



Jim stated he broke the line items out more by programs, not by vehicles, personnel, etc. So we can see how much volunteers cost for example.

Councilor Surber stated if SB1070 goes forward, will training for the officers come out of contingency?

Jim stated now there are a lot of unknowns. If it's implemented, the state will have to fund the training program. They will come up here and train our officers. There may be some overtime costs associated with it.

Vice Mayor Hamilton stated what caused a \$30,000 jump in this year's auto expense?

Alison Zelms stated it's for ongoing maintenance.

Jim stated our maintenance costs have gone up. Many of our vehicles are over 100,000 miles and repairs are starting to cost us a lot more money. This year we'll replace two vehicles and we should replace four.

Vice Mayor Hamilton stated he understands moving vehicles to a pool situation in general services, but it seems police vehicles are a different horse and he wonders if there might be good reasons to leaving vehicle funding under the police department because of patrol.

Jim stated the decision to do this was prior to him coming down. He can see his concern. The other department he lives at breaks it out that way.

Barbara Ashley stated she agrees but when she took it out of the pool she forgot to put it back in PD. That will be adjusted.

Dennis Rayner asked how much a new police car costs?

Jim stated a new patrol vehicle is \$23-26,000, another \$6-8,000 for lights, radio. At about 100,000 miles you want to turn the vehicle over because of maintenance costs. We're in tough times and maybe we have to eek out another year in these vehicles.

Alison Zelms stated two vehicles are scheduled to be replaced in the capital fund.

Barbara Ashley stated every three years we've taken the old ones out and new ones come in. We didn't do it last year.

Dennis stated he's not sure this is the place you want to delay doing the right thing.

Jim stated we're going back to Fords where we get greater longevity and cheaper maintenance.

Mike Ward stated is our drug dog the only grant-supported police program the city has?

Jim stated we have grants that provide DUI checks, they provide portable breath tests, motorcycles, take blood, we can use some of that money for overtime. Those funds don't show up here.

Alison Zelms stated our two school resource officers are also funded by a grant.

Mike Ward asked how much the uniforms for volunteers cost?

Jim stated \$1,500 total, which is a good return for what they get from the volunteers.

Mayor Adams stated overtime has bothered him. Are there still areas we can address that?

Jim stated we've done pretty well. The Film Festival, parade and marathon we were able to do with virtually no overtime for our officers. If we get notice we can manage it well, but when we have a spontaneous event, we're going to get overtime.

Alison Zelms stated overtime is cut 25% from prior years.

Dan McIlroy asked how many miles a year would a patrol car travel?

Jim stated 35,000 miles is average. We don't have a city jail. When people are arrested they're transported to Camp Verde or Flagstaff. We have 38 employees and 28 sworn. There are three on the street all the time.

Dan McIlroy asked if we replace their uniforms every year.

Jim stated they're given a fixed amount and they replace them as needed.

Dan McIlroy stated it seems excessive to outfit a brand new officer.

Jim stated he's right, it's ridiculous what they charge for this equipment. The cost also includes the gun, the Taser and the radio. When they retire it all goes back to the department and is reissued.

Dan stated overtime is only for special events is that correct?

Jim stated yes, or if they get a call at the end of the shift, they have to finish that call and file the paperwork before they can leave. It could take 2-3 hours of overtime to get the paperwork done.

Councilor DiNunzio asked if there are special events that officers work at off-duty and get paid by the event.

Jim stated not since he's been there. We try to do special events as a community service. We use the volunteers to cover where we don't have officers.

Councilor DiNunzio asked if other communities do that.

Jim stated yes, that's common in many areas.

Jim stated Michael Moore did hire an off-duty officer, who donated all the proceeds to the Explorer program.

Councilor Scagnelli stated we discussed it quite a bit last year. We don't give officers any dry cleaning allowance. They can use the \$960 for repairs, dry-cleaning, whatever.

Jim confirmed.

#### **m. Municipal Court**

Magistrate Judge Rodger Overholser stated they implemented the e-citation program in conjunction with Sedona Police Department. We have had continued success on collection of past due fines using the FARE program. He became the new municipal court judge in January. The court clerk's position that had been previously frozen has been eliminated from the budget. He has a supervisor and two court clerks.

Vice Mayor Hamilton stated professional services has quite a jump from actual expenditures this year. He's assuming the economy has an impact on people.

Rodger stated we'd had the Pro Tem wages in that category and have since moved that in the line item for salaries. The rest is for interpreters.

Vice Mayor Hamilton stated under legal fees he's assuming more people need court-appointed lawyers.

Rodger stated that is for court-appointed lawyers. One thing we have to use that's expensive is the language line, that you have to use over the telephone and it's very expensive if people speak a foreign language other than Spanish.

Dan McIlroy asked what we pay the court-appointed lawyers now.

Rodger stated it's \$500 now, if it's set for trial it's \$50/hour.

Mayor Adams asked if he's implementing anything to increase fees.

Rodger stated it's tough right now. We send some people to do community restitution. The only other thing we can do is put them in jail until they pay the fine and that's kind of counter-productive. If you put someone in for a length of time they usually lose their job and can't pay anything. If they can't pay we can't impose it so we have to eat it. We can intercept their tax returns, but unfortunately the people we try to collect from aren't getting big tax returns.

Councilor DiNunzio asked how much we've collected this year in fines.

Barbara Ashley stated she shows that by December we collected \$127,000, that's the city's portion.

Alison Zelms stated often times we get more at the end of the year because it's a busier time.

Rodger stated the jail doesn't bill us for sending an indignant there. That's part of the jail's budget. It's more cost effective for the county not to send people to jail.

**n. General Services**

Alison Zelms stated we re-evaluated the grant review process and determined the need for a grant review committee. City departments worked to implement mid-year budget reductions. The city continued to provide over \$1,000,000 in funding for community based nonprofits. We've added a few things into this budget. After a vehicle usage analysis we generated \$70,000 through the sale of excess vehicles. We reduced the fleet across the organization. We moved city-wide training, gas and fuel and office supplies to general services to centralize these functions. Objectives: continue to provide financial support to organizations that provide key services to the community; provide funding for necessary training to successfully transition various positions relative to the reorganization. On page 67, program 29 is where we've accounted for all contracts for outside agencies. We took that 10% from that, that \$143,968 was taken from the whole. We'll discuss the funding for the outside agencies on Thursday, May 6.

Councilor DiNunzio asked if the library is correct.

Alison Zelms stated that's their current-year funding, so we'd recommend a reduction off that amount.

Mike Ward asked why we don't have a separate line item for transit. What are interfund transfers to capital?

Alison Zelms stated now we post it to the general fund and make the necessary transfer to the capital fund.

Mayor Adams asked about the newsletter/town hall.

Alison Zelms stated we have \$9,000 for the public information program related to that. We have \$19,000 for citywide public information, so that includes anything that goes into the paper.

Mayor Adams stated so if the new Council wanted to increase expenditures for public outreach we'd want to increase the amount of that line item.

Tim Ernster stated right and you'd have to reduce somewhere else in the budget.

Alison Zelms stated we can combine it into one public outreach section. On page 61 and Page 69, we'd combine those two. We have \$19,718 total.

Tim Ernster stated we can move the \$9,000 down.

Mayor Adams stated he'd like to break out what we normally spend on the Red Rock News. Alison Zelms stated it's all the advertising we do, whether it's on the radio or the newspaper, a mailer, all those things.

Mayor Adams stated he'd like to see what we normally spend.

Barbara Litrell stated with the move of so many things into the general services fund, is there someone in charge of that that employees need to go to?

Tim Ernster stated Barbara is very much involved in that process. The idea is to limit who can spend that money without authorization of city manager or finance department.

**o. Funding for Outside Agencies including, but not necessarily limited to:**

***Scheduled for discussion Thursday, May 6, 2010 at 2:30 p.m.***

- 1) Sedona-Oak Creek Chamber of Commerce**
- 2) Sedona Main Street Program**
- 3) Sedona Library**
- 4) Sedona Community Center**
- 5) Sedona Recycles**
- 6) Sedona Humane Society**
- 7) Teen Center/Boys and Girls Club**
- 8) Other Agency/Program Funding**

**An overview of non-General Fund (Other Funds) will be presented.**

Alison Zelms stated Non-General Funds are Special Revenue Funds: Street Funds, Grant & P.A.N.T., Capital Related Funds: Capital Fund, IT Capital Fund, DIF & CFDs, Wastewater Enterprise Fund: Plant/Admin/Debt, Capital/Construction.

The Development Impact Fee fund is regulated by state statute. Anything accumulated from three years ago to now can only be used for improvements in that drainage basin. We have development impact fees that can only be used for parks projects. We have a public safety fund that can only be used for those types of projects. We have fairly significant amounts of savings built up in those funds partly because you can only spend them on specific projects. They have to be used in a certain amount of time. After five years the developer could request a refund from Council. It's unlikely we'd be required to provide those back. After 10 years it's a much more black and white process. Those funds are collected from any type of development in the city.

Special Revenue Funds: Streets funds are funded with HURF and LTAF restricted revenue. They fund street and drainage maintenance and improvements. The Grants Fund funds a cap for miscellaneous grants. We're looking at getting grants for energy efficiency projects. P.A.N.T. Fund funds the cap for the P.A.N.T. grant. This budget anticipates Sedona will no longer be the hosting agency for that grant.

Tim Ernster stated our finance department served as grant administrator for the regional P.A.N.T. grant. Prescott Valley offered to take it over, but they may not be allowed so they asked us if we'd do it again but they'd give us some money for the cost of doing it.

Barbara Ashley stated we'd ask for at least the cost of a 20 hour position to cover the grant administration.

Alison Zelms stated it helps regionally to fight drug trafficking and we get one officer position funded for it. They do seizures within Sedona.

Councilor Scagnelli stated other communities get a police officer out of it, like we do, and we have someone spend 20 hours a week to manage it.

Tim Ernster stated we provide a sergeant that supervises the P.A.N.T. officers out of the general fund.

Alison Zelms stated it's perceived that if we have it we'd get heard more. It's a soft benefit for the city.

Councilor DiNunzio stated is the program successful in our community at reducing drug trafficking.

Tim Ernster stated yes, it's a successful program. The concern we have is the city's contribution. We've done more than our share.

#### **u. Streets Fund**

Alison Zelms stated streets fund is funded with HURF & LTAF restricted revenue. It funds street and drainage improvements. We created a small contingency for increased drainage improvements and possible funding for snow removal in the canyon this winter. We've built up a large reserve. There's no reason to have a reserve in that fund since it's restrictive on what it can be used for. We have \$50,000 appropriated for emergencies that we could use for snow removal. Objectives: do the overlay at Harmony Hills Subdivision; develop and issue two city-wide right-of-way permits; continue to implement the storm drainage maintenance cleaning program; continue with the retro reflectivity program to measure reflectivity of signs and replace those that do not meet standards; and change over to larger street signs on the SR 179 corridor.

Charles Mosley stated streets, parks and facility maintenance are combined into one citywide maintenance division. Accomplishments: We overlaid Back O'Beyond, Grasshopper Lane, Fairview heights, Broken Arrow heights, Broken Arrow subdivisions. We processed 103 right-of-way permits, 13 banner permits, 48 address changes and 430 field maintenance work orders. We performed pavement preservation on recently paved city streets. We changed over to larger street signs on SR 89A. We used service contracts and job order contracts.

Vice Mayor Hamilton stated there's an auto expense item, is that out of place?

Alison Zelms stated if it's a separate fund it'll be a separate line item.

#### **w. x. Grants and P.A.N.T. Fund**

The P.A. N.T. Fund has decreased to only include funding for grant funded Sedona salaries. The larger grant will no longer be administered by Sedona (maybe). The Grant Fund provides funding

for Student Resource Officer salaries, anticipated grant awards for DUI taskforces, capital projects, County Grants, etc.

Barbara Litrell asked if there are grants still out there that we'd be able to go after?

Alison Zelms stated grants provided to cities and towns are different than for a nonprofit. Typically they want to start a program and you have to maintain it for a certain amount of time. You're obligated to continue it after they start it. A lot of times grants cost us more in the long-run. A grant may mask the real cost in the long-term. The AURA funds are a good example of that. 80% of that went to the state or formula cities. We could probably go after more funds. Sometimes using Sedona on your application makes it difficult for us. They don't think that we need the grant funds.

Mike Ward asked what's miscellaneous for \$100,000.

Alison Zelms stated that's for grants that come up later in the year that we don't know about now.

Dan McIlory asked if the figures in the right column are money in the hand.

Alison Zelms stated it's money we're hoping will come through. We typically get DUI grants. We've always received SRO funding and she doesn't know when we'll know about that one. We don't spend it unless we get it.

Mike Ward stated the whole purpose then is for the cap idea.

Alison Zelms confirmed.

Councilor DiNunzio stated when we spend it we spend it out of this budget.

Alison Zelms stated we should be. It will always be paid for out of where it's being budgeted. Often times you don't receive the money, first you make the payment, show them the invoice and then they reimburse you.

Councilor DiNunzio asked if you have a ledger for a list of approved outstanding grants.

Barbara Ashley stated yes we keep track.

Councilor DiNunzio stated this year we're projecting we're going to spend \$547,000, but that doesn't relate to what we're applying for in that same year.

**The following fund budgets are to be presented and reviewed:**

- p. IT Capital**
- q. Capital Fund**
- r. Development Impact Fees Fund**
- s. Community Facilities District Funds**
- t. Art in Public Places Fund**
- v. Wastewater Fund**

**y. Jordan Park Special Improvement District**

- 4. Discussion/possible action on future meeting/agenda items. Items not completed at this meeting will be carried over to Thursday May 6, 2010, 2:30 p.m. Special Budget Work Session Meeting.**
- 5. Upon a public majority vote of the members constituting a quorum, the Council may hold an Executive Session that is not open to the public for the following purposes:**
  - a. To consult with legal counsel for advice on matters listed on this agenda per A.R.S. §38-431.03(A)(3).**

**Following any discussions in executive session of the above matter, the City reserves the right to discuss and/or act on any of the above listed legal matters in open session.**

- 6. Adjournment:** Mayor Adams adjourned the meeting at 7:00 p.m. without objection.

**I certify that the above is a true and correct summary of the Special City Council Budget Work Session held on May 04, 2010.**

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Alison Carney, Recording Secretary

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Date